WASHINGTON, DC — On Wednesday, February 27, Congressman Joe Sestak (D-PA) voted for the Renewable Energy and Energy Conservation Act of 2008 (H.R. 5351). The legislation provides long-term incentives to expand production of homegrown fuels, encourages manufacturers to build appliances that push the boundaries of efficiency, supports the deployment of renewable energy, helps working families purchase energy-efficient appliances, and provides energy production tax credits for the use of solar panels, small wind turbines, and geothermal heat pumps.

"Energy security is a national security issue, and the passage of this bill has been long-awaited. It will make considerable progress in helping our nation become more energy independent and reducing our dependence on foreign oil. This legislation will make our country more secure," said Congressman Sestak.

The provisions of this bill passed the House last year--within a comprehensive energy reform bill, but were omitted in the Senate version of the bill. H.R. 5351 is a fiscally-responsible legislation, under a "pay-as-you-go" government, that will close tax loopholes that have allowed big oil companies to minimize their tax bills.

Specifically, H.R. 5351 would:

Encourage increased production of renewable energy

This bill encourages increased production of renewable energy by implementing an extension and expansion of tax credits for renewable energy production credit using wind, closed and open loop biomass, geothermal, small irrigation, hydropower, solar energy, and fuel cell facilities. It also extends residential solar property credit, and authorizes funds for clean renewable energy bonds for public power providers and electric cooperatives.

The bill extends for eight years, the 30% investment tax credit for business investment in solar energy property and qualified fuel-cell property. It repeals language that prohibited public utilities from claiming the investment credit, which would apply to periods after February 13. It also increases the "capacity cap" for the credit for fuel cells to $1,500 per half-kilowatt hour, from the current $500 per half-kilowatt.

This bill extends the tax credit for biodiesel and diesel production, alternative refueling stations to encourage the production of these sources in the United States.

New Investments in Energy Conservation through Tax Credit Bonds

The bill will make investments in energy conservation and efficiency by creating a new category of tax credit bonds for green community programs and initiatives designed to reduce greenhouse gas emissions, extending tax credits for energy efficient existing homes for two years, and extend and modify the existing energy efficient appliance credit.

Extend Special Rule for Sales of Electric Transmission Property

Under current law, when an electric utility company sells a transmission property to an independent transmission company, uses the resulting proceeds to purchase certain "exempt utility property," and the sale has been approved by the Federal Energy Regulatory Commission (FERC) or by the Public Utility Commission of Texas, then the company is permitted to defer the gain from the sale of that property and pay taxes over an eight-year period, rather than paying the taxes in the year the sale is made. This special rule currently covers property sold or disposed of prior to Jan. 1, 2008.

The bill extends this special rule for two years, to cover sales or dispositions prior to Jan. 1, 2010. It also changes the rule to exclude property outside of the United States from being considered "exempt utility property," thus requiring proceeds from an approved transaction to be used on property located in the United States to receive the benefit.

Credits for Plug-In Hybrid Vehicles

Under current law, there are tax credits for hybrid vehicles that are powered using a combination of gasoline and other sources. The bill creates a new tax credit for qualified plug-in hybrid vehicles, which are vehicles that meet certain emission standards and are propelled by electrical motors that draw electricity from batteries with the capacity of at least 4 kilowatt hours that can be recharged by an external source. The credit would be effective for taxable years after Dec. 31, 2008.

The base credit would be $4,000. The bill increases the credit by $200 if a battery has more than 5 kilowatt hours of electricity and provides additional $200 increments for each kilowatt hour in excess of 5 kilowatt hours, up to 15 kilowatt hours, in which case the vehicle could receive the maximum credit of $6,000.

In addition, the bill allows the non-business portion of the alternative motor vehicle credit to be treated as a personal credit, which would apply not only to the plug-in hybrid credit in the bill, but to other credits for alternatively fueled vehicles. This provision would apply for taxable years beginning after Dec. 31, 2007.

Alternative Fuel Refueling Credit

Under current law, taxpayers who install certain "clean-fuel" refueling technology at a business can claim a tax credit for 30% of the costs of installing the technology, up to $30,000 per taxable year, per location. The credit also can be claimed for technology installed at a residence, but in such cases is limited to $1,000 per location per year.
The bill extends the credit for installing non-hydrogen refueling properties for one year, to cover installations through 2010. (Under current law, the credit applies through 2014 for hydrogen refueling properties.)

Biodiesel & Renewable Diesel Credits

The measure extends for two years, through Dec. 31, 2010, the production tax credit for biodiesel, which provides producers with credits of $1 per gallon or 50 cents per gallon, as well as the 10 cent per gallon credit for small biodiesel producers.

The provision also extends for two years — through Dec. 31, 2010 — the $1 per gallon production tax credit for renewable diesel created from biomass, and amends current law to eliminate a requirement that diesel fuel be produced using a thermal depolymerization process, thereby making the credit available to any diesel fuel produced from biomass.

Cellulosic Alcohol Production Tax Credit

The bill provides a new tax credit, under the existing alcohol fuels tax credit, for the production of certain cellulosic fuels that are produced and consumed in the United States and are derived from lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis. The credit would apply to fuel sold for use in the production of a qualified alcohol fuel mixture, fuel used in a trade or business, fuel sold at retail by the producer, or fuel used by the producer for those purposes.

Under the bill, producers who are registered with the Internal Revenue Service (IRS) could claim a 50-cent credit against their income tax for each gallon of qualifying fuel produced before Dec. 31, 2010. This credit would be in addition to the existing 51 cent per gallon credit for ethanol, and the 10 cent per gallon credit for small producers.

Fringe Benefits for Bicyclists

The legislation allows certain fringe benefits provided by businesses to employees who commute to work by bicycle to be exempt from the employee's gross income, and thus not subject to income tax. Qualifying benefits would include reimbursements for "reasonable expenses" relating to the purchase, repair, or storage of a bicycle, and would be limited to $20 for each month that the bicycle is used regularly for commuting, provided no other transportation benefit is received for that month.

Taxes for the Oil and Gas Industry

The cost of H.R. 5351 will be offset by revenue provisions which repeal certain manufacturing deductions for major oil and gas companies to freeze the current 6 percent rate for all other producers. The bill also restricts the ability of these companies to claim foreign tax credits.

"This bill is a comprehensive measure to create incentives for many of our nation's industries to become more energy-efficient," said Congressman Sestak. "This is the critical step to move our country towards making greater investments in renewable-energy resources, to reduce our dependence on foreign oil, and to make our country more energy-independence."

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the U.S. House of Representatives.